

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of a Filing
Regarding the Rates of Peoples Natural Gas
Company, a
Division of UtiliCorp United,
Inc., Relating to Rate
Adjustments Due to the Tax
Reform Act of 1986

ISSUE DATE: March 31, 1988

DOCKET NO. G-006/M-87-460

ORDER APPROVING COMPLIANCE
FILING

PROCEDURAL HISTORY

On August 18, 1987, the Minnesota Public Utilities Commission (the Commission) approved the sale of Iowa Electric Light and Power Company's (Iowa Electric's) gas distribution system and related facilities located in Fairmont, Minnesota to Peoples Natural Gas Company, a division of UtiliCorp United, Inc. (Peoples or the Company). Docket No. G-006/M-87-303.

In the same Order, the Commission granted Iowa Electric a rule variance relieving it of its obligation under Minn. Rules, parts 7827.0100 to 7827.0600 to adjust its rates and make any necessary refunds due to decreased costs resulting from the Tax Reform Act of 1986 (TRA). The variance was granted because Peoples agreed to assume Iowa Electric's responsibilities under Minn. Rules, parts 7827.0100 to 7827.0600.

On August 31, 1987, Peoples filed with the Commission its rate reduction and refund proposal pursuant to Minn. Rules, parts 7827.0100 to 7827.0600. The proposal was based on figures supplied to Peoples by Iowa Electric and complied with the requirements of the rules. The proposal reduced Peoples' annual revenue requirement by \$18,360.52. The Commission took no action on this filing, however, because shortly thereafter Peoples informed the Commission that it intended to make a revised filing due to apparent inaccuracies contained in the August 31 filing.

On October 22, 1987, Peoples filed with the Commission a revised rate reduction and refund proposal reducing its annual revenue requirement by \$28,798.00, instead of the original \$18,360.52. Peoples explained that upon review it had concluded that the normalized data supplied by Iowa Electric for purposes of calculating TRA rate reductions and refunds may have been inaccurate. Peoples requested a variance from Minn. Rules, part 7827.0400, to allow the Company to compute rate reductions and refunds for its Fairmont operations based on the rate reductions and refunds

computed for its other Minnesota operations. Those rate reductions and refunds were computed in accordance with Minn. Rules, part 7827.0400.

On November 23, 1987, the Commission issued its Order Accepting Tax Reform Act Compliance Filing and Granting Rule Variance in Calculation of Rate Reductions and Refunds. That Order accepted Peoples revised compliance filing which reduced rates to Fairmont customers and resulted in lower annual revenues of \$28,798.

On December 31, 1987, Peoples filed a revised tariff page in compliance with the November 23, 1987 Order. However, the Company had calculated an adjustment reflecting an annual revenue reduction of \$26,661 rather than \$28,798.

On January 15, 1988, the Company filed supporting documentation demonstrating that the revised amount was calculated by recognizing rate adjustments made in the Company's last general rate case. In the Matter of the Petition of Peoples Natural Gas Company, Division of UtiliCorp United Inc. for Authority to Increase Its Rates for Gas Service in Minnesota, Docket No. G-011/GR-86-144 (January 16, 1987).

On March 21, 1988, the Commission issued its Order Approving Compliance Filing and Modifying and Approving Refund Plan in Docket No. G-011/GR-86-144 which set final rates after the Company's general rate case.

FINDINGS AND CONCLUSIONS

The Commission must determine whether the Company's revised TRA reduction for its Fairmont customers is in the public interest and will result in rates that are just and reasonable in light of the TRA.

The Commission notes that its staff calculated the correct reduction to be \$26,751 rather than \$26,661 and that the Company agreed to that revision.

The Commission finds that the Company's Fairmont customers will have an average reduction in rates of \$6.01, the same reduction computed for Peoples other Minnesota operations. Further, the Commission finds that the reduction of \$26,751 was determined in compliance with the Commission's November 23, 1987 Order in this matter and its March 21, 1988 Order in Docket No. G-011/GR-86-144. The Commission concludes that the Company's proposed rate reduction for its Fairmont customers is in the public interest and will result in rates that are just and reasonable under the TRA. Therefore, the Commission will approve the Company's revised compliance filing in this matter.

ORDER

1. The Commission hereby accepts and approves as modified above the Company's revised compliance filing which addresses rate adjustments due to the Tax Reform Act of 1986.
2. Peoples Natural Gas Company is hereby required to file revised tariff pages reflecting the rate reductions discussed herein within 10 days of the date of this Order. The rate reductions shall go into effect no later than 30 days from the issue date of this Order.
3. No later than 60 days from the date of this Order, Peoples Natural Gas Company shall make the refunds required hereunder, with interest from July 1, 1987 at the average prime rate, either as a one-time credit on each customer's bill or by check. Within 30 days of the completion of the refund process, Peoples shall file a report with the Commission showing the actual amounts refunded by class and the interest rate applied.
4. The Company shall file revised tariff pages within 30 days of the issue date of this Order.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)